

# GOVERNMENT REF IN ONTARIO



JS  
1721  
.05  
.0522

c.1  
tor mai

a Report of  
Ontario Economic Council



EEFX REFERENCE

# GOVERNMENT REFORM IN ONTARIO



Ontario Ministry of Economy,  
Economics and Energy, Environmental  
Affairs Library

SEP 24 1977  
77-19230  
LIBRARY

a Report of  
the Ontario Economic Council

Price per copy \$2



## TABLE OF CONTENTS

FOREWORD	v
SUMMARY AND CONCLUSION	vii
RECOMMENDATIONS	x
CHAPTER I — The Dynamics of Change	1
Urbanization — A Definition	1
The Nature of Urbanization	3
Economic Change	4
Social Change	8
Political Change	12
CHAPTER II — The Case For Structural Reform	15
The Role of Government	15
The Problem of Misunderstanding	16
CHAPTER III — The Restructuring of Urban Municipal Government in Ontario	21
The Importance of Municipal Government	21
The Present Municipal Structure	22
Stresses on Municipal Government	26
Response to the Stresses: Detailed Study	27
Response to the Stresses: Provincial Action	28
Conclusion	36
CHAPTER IV — In Defense of Local Autonomy	37
Fiscal Planning vs. Local Autonomy	39
Local Autonomy and Regional Government	41



Digitized by the Internet Archive  
in 2018 with funding from  
Ontario Ministry of Finance

<https://archive.org/details/governmentreform00onta>

## **FOREWORD**

Until there is a garbage strike, the water supply fails or the snowplow skips our street many of us tend to take for granted the services supplied by our municipal government.

Events on the federal or provincial scene appear somehow much more interesting, much more important.

The plain matter of fact is, however, that, while municipal government may be on the bottom rung of the political status ladder for the average elector and his news media, it provides the essential underpinning for much of Ontario's economic and social life.

The federal government could cease to function for some days and the majority of taxpayers would probably not even notice, let alone mourn, its passing. Almost the same might be said of the provincial administration.

But let the municipal government fail to replace a defective power transformer or delay the clearing of a blocked sewer and there is immediate and almost total citizen involvement.

Indeed municipal government has in many ways represented the ideal balance between the need for collective action to provide essential services and the desire to exercise effective control over those elected to administer them.

Over the past quarter century, however, urbanization and industrialization have substantially upset this balance. Many of the old

structures and old boundaries which, relatively unchanged, served us well for over one hundred years have lost their relevance.

For some time the Ontario Economic Council has been concerned with the serious problems facing Ontario municipalities.

While we have felt it redundant to duplicate the many research projects and studies undertaken by government departments and committees assigned the task of probing specific problems, we have endeavoured to examine and evaluate their many recommendations.

In so doing the Council has evolved an approach — perhaps one might even term it a philosophy — by which proposals for governmental reform may be judged.

This particular document does not attempt to indicate what specific reforms should be made. It stresses rather the basic principles which, it is felt, should underly such reforms.

The recent decision of the Prime Minister of Ontario and the Minister of Municipal Affairs to give priority to the introduction of regional government is welcomed. The Economic Council supports this initiative.

We believe, however, that regionalism is but one aspect of a program which should progressively bring about the total reform of government in this province. This report is addressed to this latter issue and is offered in the hope that it will stimulate public discussion and debate.

Acknowledgement is hereby made of the contribution of Chapter III, most ably prepared at the Council's request, in the Ontario Department of Municipal Affairs, and the authorship of the overall report by D. R. Richmond of the staff of the Ontario Economic Council.

WILLIAM H. CRANSTON  
CHAIRMAN

FEBRUARY, 1969

## SUMMARY AND CONCLUSION

Perhaps the most significant characteristic of our society today is the acceleration of urbanization.

While urbanization is usually defined solely in terms of population shifts, it is, in reality, a much broader concept, encompassing the overall process of change in social, economic and political systems.

It implies not only a transition from a rural, resource-oriented society to an urban, industrial society but manifests itself in such visible physical phenomena as new subdivisions and high rise apartments.

Urbanization is ongoing. The nature of our economic and social system at any point of time is simply the reflection of the current state of that process of change. As economic and social systems constantly alter, the political system must also be modified. The emergence, for example, of problems in areas of housing, pollution and traffic congestion is symptomatic of the failure of our political structures to keep the three systems in balance.

Knowledge of the past is not of itself an adequate guide. Decisions must also be based on interpretations of current trends and anticipation of future developments. Unfortunately, both the relevance of such trends and our knowledge of the future are limited both by the speed and the magnitude of the changes on all three fronts — economic, social and political.

Three general propositions form the fundamental assumptions of this report:

1. Technological change in our economy and the shift from a goods-producing economy to a service-producing economy is materially altering employment patterns in urban areas. While manufacturing operations will be more decentralized or located on the fringes of metropolitan cities, the downtown areas will attract an increasing number of professional and other specialized, service-oriented operations.
2. The shift of traditional blue-collar employment opportunities

away from the city core will reduce the city's ability to function as the place where rural residents or immigrants become integrated into the economic system. If the poor and the less skilled continue to concentrate in the metropolitan city core, this will seriously aggravate social and welfare problems since unskilled and semi-skilled employment opportunities there will shrink.

3. The solution of the problems generated by such social and economic changes transcend the capacity of our present municipal political structures. Not only are the latter inappropriate to the needs but they are used by many local political leaders to resist progress. Structural reform is a first priority.

The emphasis placed on the reform of the structure of government is justified because of the key role government plays in our society. Urbanization has created new demands on government and, as our society has become more complex, government services have grown in scope and content. We have moved, whether we like it or not, into a world of big corporations, big unions, big cities and big government.

Unfortunately the very size and complexity of government results in misunderstanding. There seems to be little sense in the current division of function among levels of government. There is a rapidly diminishing relationship between taxes paid to any one level of government and the services rendered by that level. In this situation, complicated as it is by a bewildering variety of financial transfers and shared-cost programs, citizens, no matter what their occupation, are generally incapable of understanding how government operates.

This lack of citizen comprehension leads to apathy and distrust. Efforts to improve the operation of government through administrative reforms are simply not enough.

This is particularly true of the municipal level. Urbanization has significantly reduced the validity of many of the assumptions upon which municipal government is based, yet the structure of municipal government remains essentially the same today as it was one hundred years ago.

This does not mean that nothing has been done. The government of Ontario has introduced a variety of specific reforms such as the creation of metropolitan governments in Toronto and Ottawa. At the municipal level there is growing evidence of a willingness to experiment and to adopt new forms of government. The Ontario Committee on Taxation and two Select Committees of the Provincial Legislature have advocated basic reforms in municipal structure. The Province has now announced plans to move ahead with regional government. Our concern is basically that the breadth of vision, so evident in the positive stance taken by Ontario on the question of the Canadian Constitution, has not yet been exhibited with regard to provincial-municipal relations.

Moreover the concept of regional government that has emerged from many of the reports and studies so far undertaken does not offer to the government of Ontario, to the municipalities, or to the electorate a sufficiently comprehensive guide to action.

The Ontario Economic Council supports the concept of regional government. It is the key to reform in this province. But the role and place of regional government in the political structure of Ontario can best be determined only after a comprehensive study of the organization and operation of the political process in Ontario, including the provincial, municipal, and to some extent the federal governments and administrations.

We cannot agree with the commonly accepted attitude that regional government is simply a matter of municipal government reform. If regional government is to be effective, consideration must be given to all those public services that could be more effectively administered regionally, as well as to existing municipal services that might be transferred to higher levels of government. Similarly, in the interests of citizen comprehension and control, the division of the provincial tax base between the provincial government and the regional governments must be reconsidered. To create a new level of government, and to transfer to it responsibilities without ensuring an adequate tax base is indefensible.

If we are to maintain citizen control over our governments, those governments must be held responsible for the raising and

expenditure of revenue. Any further complication of an already complex system of financial transfers is unacceptable. The goal of government must be to achieve efficiency in operation and responsiveness to the desires of the electorate. Democratic control of government must be the chief criterion.

We say this in full recognition of the multiplicity of problems inherent in any such fundamental reform. The elected representatives — municipal and provincial — have an obligation to ensure that the administration of public affairs is carried out as effectively as possible. Failure to act now could well result in the gradual decay of our democratic system.

## RECOMMENDATIONS

1. The concept of regional government should be expanded to include consideration of the reform of the total system of government in Ontario. This will require the examination of the organization and operation of the provincial services as well as the municipal system. The objective of this reform should be government which is understandable to the electorate, which is capable of providing services as efficiently as possible and which can be controlled by the democratic process.
2. In the determination of the transfer of functions and revenues to regional government from either the existing municipalities or the provincial government the operating principle should be that, in so far as possible, the elector is able to assign responsibility for provision of services to a specific level of government and that he is capable of understanding the real cost of each service as well as the direct and indirect benefits received. Such a pricing of public services is a prerequisite to the assignment of priorities for public expenditure.
3. Prior to the introduction of regional government in any area, studies should be undertaken to provide the elector with

information on the current costs of providing public services. These studies should also indicate the savings that might be effected by the transfer of responsibility to a regional government, and the additional costs that might result from any improvements or expansions of services within specific areas of the region.

4. Every effort should be made to ensure that regional governments have a sufficient tax base to provide a minimum level of services without undue reliance on conditional or unconditional grants. The province must, however, maintain sufficient tax revenues to provide for its own operations and for the provision of "equalization grants" to the regional governments.
5. Consideration should be given to the possibility of codifying the division of responsibilities between the province and the regional governments in a single document as one method of introducing structural reform in government. This could have the added potential benefit of helping to rationalize views on the appropriate spheres of activity of the provincial government which, in turn, could serve as a basis for discussions at the federal-provincial level.



# CHAPTER I

## The Dynamics of Change

### Urbanization: A Definition

Urbanization is usually defined as the shift of population from rural areas to urban centres and is measured by using demographic factors.

If this definition were to be accepted, it follows that urban growth could occur even when there was no urbanization of the population. In this situation, the proportions of the population living in urban centres and rural areas could either remain constant, or shift in favour of the rural area. The Economic Council of Canada, for example, expects that we will achieve an equilibrium position in terms of rural-urban population in Canada in the 1980's.

The measurement of urbanization using demographic variables has several limitations. The first difficulty is the criteria to be used in classifying an urban centre, how to distinguish between an urban centre and a rural area. In his attempt to answer it, the demographer examines population densities and makes an arbitrary decision. An urban centre is defined in the Canadian census as a municipality (village, town or city) with 1,000 or more population.

An even more difficult problem is encountered in attempting to determine the boundaries of an urban centre. To overcome this, the concept of the metropolitan area has been developed. The Canadian census has adopted three different categories of urban centres: the census metropolitan area; the major urban centre; and the incorporated village, town or city. The census metropolitan area of Toronto, for example, consists of the Municipality of Metropolitan Toronto and the townships of Pickering, Markham, Vaughan, Toronto and Trafalgar, and the incorporated municipalities located in these townships. The major urban centre includes both the incorporated city and rural fringe area.

A metropolitan area contains a population of 100,000 or more

people; a major urban centre contains a population of from 30,000 to 100,000 people. The difference between them is simply a matter of statistical convenience.

The concept of the metropolitan area does not clarify the problem of the distinction between urban and rural. Indeed if the approach is reversed and an attempt is made to define rural areas, a similar problem is encountered. A great deal of work has been done by rural sociologists to define rural society. Studies published in 1929 attempted to classify rural society in terms of occupation. People engaged in the primary industries of hunting, fishing, forestry and agriculture were considered to be rural.

This approach has been broadened by other rural sociologists who have incorporated more sophisticated variables relating to values, social relationships and other factors. Some sociologists have argued that there is no dividing line between rural and urban societies, but see a rural-urban continuum.

The work of the rural sociologists suggests another major flaw in the demographic measurement of urbanization. The word urban is defined in most dictionaries as "pertaining to the city". There is more to urban society than the concentration of population. Urbanization consists of both the demographic fact of population density and a distinctive form of society. Urbanization has, therefore, both quantitative aspects — population density — and qualitative aspects — social, economic and political structures.

This dual nature of urbanization is best expressed in the work of students of the city. They suggest that the city emerged some 5,500 years ago as a result of the technological advances in agriculture. The production of an agricultural surplus and the development of political-religious institutions which appropriated this surplus created the basis of a new form of social organization — the city.

The development of the city led to a more complex social system, based on the specialization of function, which clearly differentiated the city from the rural countryside. While there is no complete agreement on the forces that created urban society and the city, it is generally agreed that the emergence of the city and the urban-

ization of society were decisive historical factors in the creation of past and present civilizations.

Growth of cities was limited by the technology of transportation. Rome, at the apex of its power, contained not more than 300,000 people, and the renaissance city states of Italy were smaller. The limitation on the size of the city was removed with the coming of the industrial revolution.

The significance of the inter-connection between industrialization, technological developments (particularly in transportation and communications) and the development of the industrial city cannot be overemphasized. But it would be equally incorrect not to recognize the significant social and political changes that paralleled economic development.

Urbanization could well be defined, therefore, as the process of change in social, economic and political systems in response to technological development. The urbanization of society is thus measured by examining those variables which express the direction and magnitude of the change. Demographic factors are only one aspect of this overall measurement of urbanization and should not be used as the sole criteria for the determination of either its rate or nature.

This broader definition of urbanization, moreover, overcomes the limitations imposed by a definition based solely on population shifts.

## **The Nature of Urbanization**

If urbanization can be defined as the process of change in our social, economic and political systems, it follows that its nature can be understood only by examining the dynamics of social, economic and political change.

It is convenient to conceptualize the process of urbanization as operating through the three systems independently. It must be remembered, however, that the social, economic and political systems are interrelated, and that change in any one system results in responses in the other two. To reduce the problem to manageable proportions, however, the changes taking place in each of the systems can be considered in isolation.

## Economic Change

In its Fourth Annual Review, the Economic Council of Canada discusses the impact of urbanization of the Canadian economy. It points out that "economic history suggests that the massive and widespread urbanization of industrial societies has been a natural concomitant of modern economic organization and technological development," and identifies urbanization and the resultant rapid rate of growth in urban centres as a response to technological change.

"Technological change was a major factor in this urbanization process. In broad terms the new techniques contributed to: (a) a shift from animal to mechanical sources of power; (b) the mechanization of the process of production; (c) a reduction in the raw material content of total output; and, (d) a lowering in the cost of transport."

Technological change and industrialization are the dynamic factors that provide the necessary conditions for rapid urbanization. As our economic structure has evolved, the cities have emerged as the centres of population and industrial growth. Technological change in agriculture has released many thousands of workers who have found alternative employment opportunities in the secondary and service industries associated with urban centres. The sheer growth of the population of urban centres has, in turn, influenced the development of new forms of employment opportunities, particularly in the service industries.

The Economic Council of Canada sees this process of change and growth as a challenge: "How can we influence the expanding urban centres of the future so as to obtain their maximum economic benefits and at the same time minimize their tangible and intangible costs?"

The question that should be raised at the outset is whether the process of urbanization inexorably leads to the creation of larger and larger urban centres with all the attendant problems of the development of a physical environment which is unacceptable in human terms? The Economic Council of Canada's main thesis is that the problems of the deterioration of the physical environment (pollution, inadequate urban transportation, poor housing, improper allocation of land use, and lack of recreational facilities) will remain

unless a properly coordinated attack is mounted by all levels of government. The Council suggests three major institutional reforms as the starting point for an effective solution: (a) the transfer of responsibility for social services and area-wide physical services to the senior levels of government; (b) the creation of adequate planning agencies on a regional basis; and, (c) the development of new (metropolitan) forms of municipal government.

The remedy prescribed by the Economic Council of Canada, while not spelled out in detail, points up the need for reform of the governmental institutions in order to mobilize resources to solve the problem of the deterioration of the physical environment. But it should be remembered that the underlying assumption made by the Council is that industrial growth inevitably means the further concentration of population into a relatively few urban centres.

Too often our concern with our immediate problems distorts our view of the real nature of the changes that are taking place. Because the growth of our cities was linked to past industrialization, it does not follow that future industrialization will inevitably result in the continued rapid growth of larger population centres. There is no valid reason to assume that the continued growth of our large cities is pre-determined by the economic forces now at work. Indeed, there is evidence available to suggest that the city is being transformed by technological and economic change.

One of the most important of these changes is the decreasing importance of large pools of workers for the operation of secondary industry. As industry was freed from locating close to water transportation or raw materials by technological advances in transportation, mechanization reduces the need for industry to locate in or near large population centres. A more diverse range of factors can now be taken into account in the determination of the location of industry.

The increasing flexibility in the location decision adds a new dimension to the possibility of industrial decentralization. The revolutionary developments in data handling and transmission gives added weight to this possibility. Many corporations have already taken advantage of the new technology. It is also important to note that the revolution in communications is still in its infancy. The over-

all impact on industrial decentralization is not yet evident. We can only guess at the future.

All this suggests that industrialization and urbanization will create new economic and social structures which are not necessarily associated with the expansion of our large cities. The prospect for the continued shift of population into higher density communities is undiminished. But it does not follow that the metropolitan areas will be the recipients of the population shifts. The medium-sized city and larger town may well be the major growth areas in the future.

This does not mean, however, that the problem of the deterioration of physical environment can be ignored. The potential changes in our industrial system suggest only that the problem may well be generalized throughout the province, and be of a smaller scale, than if population growth continued to be concentrated in a small number of metropolitan areas.

It can also be argued that the problems encountered in large metropolitan areas will act as a check on the future growth of these centres. The history of the large American centres would seem to support the contention that industrialization inevitably leads to concentration of population in large cities. The historical evidence must be treated with caution, however, as the cities in the United States developed before Canadian cities emerged, partly as a result of the earlier industrialization of that country. This process occurred before the technological developments referred to earlier, and decentralizing tendencies are discernible now in the United States. Because Canada was industrialized later, we may escape the worst effects of urban congestion that are so apparent in the larger metropolitan centres of the United States.

That industrial decentralization may lead to a lessening of the pressures on the urban physical environment in the major cities is also a strong possibility, but continued rapid growth of our smaller and medium sized cities can be anticipated.

The most important element in the economic evolution of the city is the gradual transformation of the large city from an industrial centre to a service centre. Employment in the service industries has become the most important source of new job opportunities in the

metropolitan areas, particularly in the core city. As industry has moved out to the fringe or to smaller centres, service industries have picked up the slack in employment.

Many blue-collar workers have been forced to move with the industry. Alternative employment in manufacturing within core cities of metropolitan areas has not been as readily available. The type of manufacturing that remains tends to be small scale, highly specialized or limited in market potential. Many secondary industries are forced to move because of limited space and the relatively high costs of material handling in multi-storey factories. Thus the character of industry remaining in the core city is changing as the larger scale plant moves to a more suitable location.

Science and technologically-oriented industries are attracted to the major urban centres and metropolitan areas, particularly because of the concentration of educational facilities and specialized, highly-trained personnel. Indeed the educational facilities themselves represent an important and growing source of employment. This development of science-based industries and educational facilities, together with the creation of medical complexes and other specialized service industries, creates a growing demand for educated and trained personnel.

This reinforces the city as a centre of expertise and knowledge in our society, and creates significant social and economic problems for the urban poor and the migrant who comes to the city. While the city once provided an economic environment which allowed for social mobility, it now acts as a trap out of which the urban poor cannot easily escape. As the industrial and occupational pattern changes in the direction of further division of labour, and higher levels of educational attainment, the larger city tends to become a place of work and residence for the educated elite.

With a virtual monopoly of financial and commercial institutions, industry tends to establish head offices in the large city, even though its production operations may be decentralized. The head office, in turn, draws the best managerial and executive talent away from the plants located outside the city. The specialized industries servicing the manufacturing industries are also attracted to the large city. Thus, while blue-collar employment opportunities in the manufacturing

industries move outwards from the city core, the employment opportunities for the highly skilled and educated specialists and executives are concentrated in the city core. And this process is intensified by technological advances in both communications and transportation.

It is, therefore, not sufficient simply to see economic change in terms of the historical relationship between industrialization and urbanization. As industrialization of our economy proceeds, changes in the structure of our economy will have far-reaching effects in the nature of our society, on the trends in the location of industry, on patterns of employment, and on the pressures on our existing urban centres. The broader definition of urbanization, as the process of change, focuses attention on these potential changes.

## **Social Change**

The city traditionally has been the focal point of social change. The complex division of labour and specialization of function that takes place in the city creates new forms of social stratification which differentiate the city from its rural surroundings. The patterns of social stratification within the city have evolved continuously under the impact of economic change. Thus the city has been the place where the action was; the place where the young and the ambitious came to seek fame and fortune.

The cities of the United States were also the staging ground for the entry of each new wave of immigration into the mainstream of American life. In Canada, particularly in the late nineteenth and early twentieth century, many of our immigrants settled in rural areas. It is only in the post-war period that the cities have acted as a major reception centre for the immigrant.

The city, therefore, has a dual role in social change. It is the place where traditional social patterns and values are changed to meet the needs of industrial society. The city also plays a part in the integration of the newcomer into the social framework of the new society.

The city has been able to perform these essential functions because it provided an environment conducive to social change. While it created highly stratified social systems, it provided opportunities for social mobility. While it penalized the poor by denying them the

basic security of property ownership found in a rural setting, it gave them a far more diversified economic system in which to sell their skills. In short the city became the centre of economic progress and social change.

To many writers the city is the source of civilization. To function properly, the city needs improved forms of communication and thus contributes both directly and indirectly to the creation of literate society. The city sponsors and fertilizes the development of the arts. The city generates the conditions within which the creative energies of man can find expression.

There is another aspect of city life. While the city may be considered the focal point of civilized life, it is also a breeding ground for crime. Most cities have areas in which vice flourishes under the watchful eye of the police. From time to time public pressure forces a clean-up, but this effort is never completely effective. The existence of an illegal underworld simply reinforces the view of the city as the source of social change. It is only in a changing and relatively permissive society, found in the city, that organized crime and vice could be profitably operated in spite of the condemnation of the majority of residents.

As the rural sociologists have pointed out, there is no sharp dividing line between rural and urban society. There is a danger in overemphasizing the impact of an urban environment on social patterns and values which were formed in a predominantly rural society. There has been change, but the change has been to a large extent a matter of adjustments in behaviour rather than a destruction of old value systems and their replacement with new values. Canadian society is predominantly urban in its outward forms, but the fundamental values of our rural inheritance have eroded slowly.

Many of the attributes of a rural society are found in large metropolitan areas; many of the values of rural life are maintained in the urban environment. This is not surprising when it is remembered that the majority of Canadian-born, urban residents still have family roots in rural Canada. Industrialization and urbanization came late to Canada, and we have a relatively limited history as an urban people.

This continuing attachment to rural society explains in large part

our emotional reaction to the apartment. Home ownership is a cherished tradition in Canada, although of less importance to the urban French-Canadian. The desire to own a home has shaped the development of our urban centres and the outward spread of our cities. It is only with the creation of serious housing, pollution and traffic problems, and the inexorable pressures on land costs, that we have been forced into the reluctant acceptance of the need for high-rise apartments.

The apartment has become the symbol of a change. But the apartment for many people is an expediency; a second-best solution to the problem of living in a congested urban environment. The ideal remains the single-family detached house on a private lot. Thus the apartment represents the clash between a new set of urban-oriented values and a rural value system that is deeply ingrained in the urban dweller.

What we often fail to realize is that the apartment — the urban form of dwelling unit — meets the needs of a highly mobile population which is changing its attitudes towards social institutions and values.

A credit card society imbued with the philosophy of rising expectations is less and less concerned with the traditional virtue of thrift. The sacrifices entailed in owning a home, as an investment in future security, has less meaning to a society that looks to the state and the private pension plan as the means of guaranteeing security in old-age.

The large family, once an important source of labour for the operation of the farm, has little rationale in an urban setting. Indeed, the urban environment, combined with the newer methods of birth control, have created new stresses on the basic social institution of the family.

Another important manifestation of urban life is the creation of non-family households. The idea of people, who are not related by marital or kinship ties, living together in a dwelling unit, is foreign to a rural society. Yet in many cities the non-family household now accounts for over fifteen per cent of all households.

The process of social change, in part a response to economic change, in part a response to the needs of urban living, is slowly but surely at work, modifying the traditional patterns of social behaviour

and the values systems on which these behaviour patterns are based. The shape and nature of the new behaviour patterns and the new urban values are vague in outline. Because this process is qualitative, it is not subject to precise measurement and the overall impact of social change is unknown.

This does not mean, however, that an analysis of urban problems can ignore social change. To do so would lead to incorrect conclusions on the direction in which our society is moving, and to the development of public policies which are irrelevant to the real needs of an emerging urban society.

The social changes which have been briefly outlined herein, have been taken into account by the Economic Council of Canada in so far as they effect demographic trends. The Council has not yet undertaken the extensive sociological and psychological research necessary to evaluate the impact of social change on the future development of our urban centres.

Nor has the interaction between social and economic change been studied adequately. The emergence of centres for urban studies in many Canadian universities is a sign of our growing awareness of the problems we face, but much needs to be done.

For example the potential for the decentralization of manufacturing was discussed briefly. If the observable trend towards the movement of manufacturing plants out of the core cities in metropolitan areas continues, the traditional role of the city in the transformation of rural migrants or foreign immigrants into an urbanized labour force will be jeopardized. The relative scarcity of blue-collar occupations, and the intensified demand for highly educated or skilled people in the central cities, may well create a situation which will trap the immigrant or unskilled worker into the culture of poverty.

This point is well made in the Report of the National Advisory Commission on Civil Disorders in the United States:

“When the European immigrants arrived, they gained an economic foothold by providing the unskilled labour needed by industry. Unlike the immigrant, the Negro migrant found little opportunity in the city. The economy, by then matured, had little use for the unskilled labour he had to offer.”

While the Negro in the United States suffered from the additional restriction of prejudice, the basic point that the maturing economy of the city shows a decreasing demand for people of limited skills holds true for the rural migrant or immigrant who moves into the core city in large metropolitan centres.

This is simply one example of the need for a more complete understanding of the process of change that is now altering our economic and social systems.

### **Political Change**

While much of the preceding discussion has focussed on change in the city and the role of the city in our society, the impact of change on rural society is also increasingly evident. The most obvious manifestation of change is the diversity of occupations of rural residents. Many rural non-farm and farm family heads gain much of their income by commuting to work in urban centres. The growing commercialization of agriculture is another illustration of this process.

Similarly, the traditional rural values and behaviour patterns are changing in response to urban trends. The automobile, radio and television have all contributed to the blurring of the differences between urban and rural societies. Just as the urban dweller's attitudes and values influence his response to the urban environment, the rural resident is influenced by the changes he sees all around.

The conflict in values that is symbolized by the apartment in urban society is to be found in political conflict in rural society. In the main, rural values stress freedom, individualism and stability. Rural society is basically more conservative in outlook and greater emphasis is placed on the maintenance of the status quo.

The rural resident, for example, tends to resent the influx of newcomers because they demand a broader range of services from local government. The rural resident, even if he desires these services for himself, tends to react negatively. He uses the existing political structure to resist change; hence the restrictions on the sub-divisions of land or the uneconomic minimum requirement for floor space in new homes.

In rural areas, adjacent to the larger cities, this delaying action is

ineffective in the long run. The resistance to change, the unwillingness to promote development positively, leads inevitably to costly delays and inadequate physical facilities.

This process of gradual accommodation to urban pressures in rural areas gives rise to intense political conflict at the municipal level. It is in recognition of these pressures and their impact on constituents that some political spokesmen of rural interests so ardently defend outdated political boundaries of local government.

By maintaining control over the decision-making procedure of local government, in a highly fractionalized municipal system, rural interests can fight an effective rearguard action. It could be argued that on occasions they have been prepared to allow the provincial government to take over more of their functions as a trade-off for the maintenance of this fractionalized system of municipal government. From the rural point of view, the transfer of function to the provincial level represented a net gain in any case because many of these services were never provided by the municipal government.

This situation is now changing. The rural resident can no longer hope to avoid the impact of urban growth. He recognizes the limitations for employment in rural areas for his children, and he is beginning to accept the consequences of industrialization. Regional planning, regional government and higher education are now part of "the conventional wisdom". While there may be disagreement on the means of achieving these new systems, particularly on the question of financing, there is a growing awareness of the need for political change.

In the urban areas, as well, there is a growing acceptance of the need for new political institutions and changes in municipal boundaries. There is basic agreement in both urban centres and rural areas that a system of municipal government developed in the nineteenth century needs a rather thorough overhaul for the last half of the twentieth century.

Recognition of the need for structural reform does not necessarily mean that reform will be forthcoming, or that the system that is evolved will accommodate the shifting demands of economic and social change. Nor does the dynamic process of economic and social

change provide a stable foundation on which to build a new political super-structure.

That there is an awareness of the need for structural reform of our political institutions, however, indicates the seriousness of the imbalance in our political system. Social and economic change has resulted in the physical deterioration of our urban cities because political institutions have been unable to respond to the pressures of change. The symptoms of physical deterioration — inadequate housing, pollution, congestion, etc. — are manifestations of a breakdown in the political system.

Changes in the economic and social systems do not of themselves create problems. The problem arises whenever the political system fails to respond to change. If, collectively, we do not build the necessary public facilities; if we do not allocate public funds properly; if we persist in maintaining inadequate political structures; the consequence is the deterioration of the physical environment. The basic solution is not new programs, although they may be necessary: it is rather to restructure our political institutions so that they respond effectively to change, now and in the future.

The emphasis placed on the need for structural reform in our political system by the Economic Council of Canada is correct. The first step must be to create new structures and to use these new structures to mobilize the financial resources and channel the abilities of the people to tackle the problem of the physical deterioration of our urban centres.

## CHAPTER II

### The Case for Structural Reform

#### The Role of Government

In a simpler age, governmental activities were far more limited than is the case today. When the majority of people lived in a rural setting, the role of government was restricted to the provision of a relatively few essential services, the construction of public works, and the maintenance of law and order. With the growth of cities and the transformation of our economy through industrialization, the role of government has expanded.

There is nothing inherently evil in this change. We live in a complex society and depend upon others to provide us with our food, clothing, homes and transportation and communications systems. The enormous variety of goods and services available to us, and the comparatively high levels of income many of us enjoy, are possible only within an industrial economy. The development of this system is, in turn, a result of the specialization of labour. Through specialization of labour it is possible to utilize technologically advanced machinery and equipment and achieve higher levels of productivity.

One of the prices of industrialization and specialization is an expansion of services provided through government, an institution which can draw by compulsion on the resources of all the people. As government has grown, the view of government as an agency operating outside of the private enterprise system has been eroded.

Individuals and firms function economically (i.e. buy, sell, produce, store and transport goods or services) within a legal system created by government. The ownership of property, the incorporation of a company for specific purposes, the engagement in economic activity, among many other aspects of our life, are subject to control by government. In this sense government is simply a means by which the electorate decides who shall do what and how it shall be done, and the granting of such privileges entails certain obligations on those who, through their government, have been granted the privilege of pursuing their objectives in relative freedom.

The capitalist system is a method of economic and social organization based upon the principle of private ownership. It assumes that, in a system in which government establishes the broad limits of acceptable behaviour through law, the public good will be enhanced by allowing the maximum freedom of action in the pursuit of private ends. But the public is the final arbiter of what is acceptable behaviour. It is, therefore, not good enough simply to act legally; the end result of the action must be taken into account, and the impact on the public welfare must always be an important consideration in any private decision.

Beyond this is the recognition that government must provide certain essential services. Urbanization and industrialization have led to heavy new demands for such services and in most instances government has provided them directly.

This does not represent a change in public policy, merely an acceleration of an established trend.

Our economy is now characterized as a mixed economy. The governmental decision to assume some responsibility for the maintenance of employment and incomes, and the more recent decision to intervene in the economic process to encourage a high rate of growth, mark turning points in the prevailing attitudes towards economic organization. The problem is to determine the proper balance between public and private decision-making so as to achieve the maximization of both public welfare and private initiative.

### **The Problem of Misunderstanding**

Unfortunately the search for the balance is complicated by misunderstanding. Private business tends to look at government intervention as an encroachment on its right to pursue its own interests.

Government, in its approach, all too often assumes that private business does not see the need to serve the public interest. From the government's point of view, privately owned business is "a necessary evil": necessary, because it tends to be more efficient; evil, because it pursues ends not necessarily in the public interest.

Both attitudes lead to misunderstanding and distrust. And the

prevailing views are reinforced because of the erroneous assumptions made about the basic conflict between the so-called public and private sectors of the economy.

The key problem is the failure of both the manager of private business and the political spokesman to understand the relationship between the two. In our contemporary society, few businesses could exist without government. Much of the effort of government is devoted to maintaining the legal framework and economic climate within which ownership and operation of private business is possible. Government is, therefore, not antagonistic to business, but fosters its growth and development.

One of the major reasons for the misunderstanding of the role of government is that the government is not a single entity, but is highly fragmented. A business may be required to conform to rules and regulations established by two tiers of municipal government, a range of governmental agencies at the regional, provincial or federal levels, and a variety of departments at both the provincial and the federal level. In this situation, government makes no sense at all, and seems to be more of a hindrance than a help.

It is no wonder that business looks at government with a jaundiced eye and yearns for "the good old days" when it was left alone to pursue its objectives relatively free of restraints. But while those "good old days" are gone forever, this does not mean that government cannot rationalize its operations in the interests of simplicity and effectiveness.

As long as government remains highly fragmented, there can be no proper understanding of its role or activities. Government will continue to appear as a diverse grouping of seemingly unrelated principalities, all competing among each other. And when the taxes paid to government bear little relationship to the services rendered, the individual or the firm is incapable of understanding or appreciating the role of government in our society.

Structural reform of government is, therefore, essential both to ensure that the role of government is clearly understood by those it serves and that it remains subject to democratic control.

The democratic system can only operate effectively when the average citizen understands the role of government, and when government, in turn, articulates its policies and its programs so that they can be judged by the electorate.

This is the first principle of democratic government, and the criterion of any proposal for structural reform. It is not enough merely to introduce reforms that lead to efficiency in the operation of any level of government. The use of modern management methods within the bureaucracy, no matter how effective, are ultimately useless if the public is not in a better position to exercise ultimate control.

Our basic approach to the organization of government in Canada has been to assign prescribed duties to each level of government. The division of jurisdiction between the federal and provincial authorities is determined by a written constitution, while the municipalities are assigned functions by the province. Once having assigned the responsibilities, the operations can then be broken down functionally within each level. This whole concept of organization assumes that the precise grants of authority are self-contained and independent of all other activities.

The basic flaw in this approach, of course, is that the services provided by any one level of government can no longer be treated in isolation from other activities of that level or indeed from the related activities of all other levels. "Water-tight compartments" are untenable because of the interrelationships that exist between the functions. For example, education, which is normally the responsibility of elected school boards, is of prime concern to the provincial level and is supported, in some aspects, by the federal government. In turn, education must be integrated with manpower training, immigration, citizenship, welfare, health and other social services provided in varying degrees at all levels of government.

Since it is difficult to rationalize the division of powers because of political considerations and the restraints imposed by the federal constitution, the normal practice has been to introduce a complex system of financial transfers at the federal-provincial levels. The net result has been further to confuse an already complex

situation. The same pattern has evolved at the provincial-municipal level, although the provinces have also tended to take back some municipal functions.

This approach is defended by its advocates on the basis that the complexity of modern life is such that it is virtually impossible to assign specific functions to specific levels of government. It is held that the services of government are all interrelated and must be integrated in order to generate a consistent and comprehensive approach to complex problems.

At the provincial level there has been some consolidation of function — as, for example, in the administration of justice, and through the Ontario Housing Corporation. There has been some attempt to create new regional bodies — conservation authorities, county school boards. There has also been the development of new municipal structures — metropolitan government. In the main, however, the major coordinating device has been the exercise of financial controls and the use of conditional grants.

At the federal-provincial level, elaborate structures have evolved to integrate planning and execution of services in broad areas of mutual concern. The Canada Assistance Plan is an example; manpower training, ARDA, health services are others. The constitution does not provide for the delegation of authority from one level to another, but this limitation has been largely overcome by the use of financial transfers. In short, the federal-provincial conferences and committees have undermined classical federalism in Canada.

Through the development of a complex financial transfer system, each level of government can influence the nature and scope of the service provided, take a share in the political rewards, maintain the fiction of autonomy, and have a convenient excuse for avoiding any criticism for inadequate services. The only drawback is that the public never knows who is responsible for what or how much the services provided really cost.

The political price we pay for the maintenance of this system is too high. The average voter and taxpayer simply does not understand the subtle nuances of contemporary Canadian politics. The

voter looks for a government to take concrete action. He cannot see why the federal government or the provincial government, as the case may be, refuses to face up to the problems at hand. Explanations of the need for cooperation at two or more levels of government are considered as simply an excuse for inaction.

The continued refinement of intergovernmental relations, while essential if the present system is to operate, makes little or no impression on the uninitiated. Government is becoming more of a mystery, not less. The improvements in budgetary controls, in planning and coordination of effort, do not answer the basic question of the lack of citizen comprehension.

The basic problem remains: the structure of government is simply incomprehensible to the electorate.

What is needed is the reform of the government structure in the interests of the democratic control of the process of decision-making. Unless we can make government comprehensible, democracy is threatened. It is not good enough to argue that free elections guarantee the maintenance of democracy. If people have no concept of what they are voting for or why, elections serve no useful purpose in the political system.

## CHAPTER III

### The Restructuring of Urban Municipal Government in Ontario<sup>1</sup>

#### The Importance of Municipal Government

Ontario local government may be divided into two types of authorities: single-purpose and multi-purpose or municipal. This chapter will concentrate on the municipal form of local government for two reasons:

- (a) As a multi-purpose unit the municipality is the most important form of local government. Municipal government has been delegated a broad area of responsibility by the Province, including a significant part of the overall provincial program in transportation, local and regional planning, the provision of utility services such as sewers, water and electricity, welfare, parks and recreation. All of these are directly influenced by the increasing urbanization noted previously.
- (b) Being multi-purpose, municipal government is the only local authority which can perform the essential function of co-ordinating, and placing priorities upon, the various programs of special-purpose local units. This is often achieved through the dependence of special-purpose bodies upon the municipality for local financial support. Another means is the planning function of municipalities. In theory at least, all physical development plans of local authorities should conform with the overall plans prepared by the municipality. In general, we can say that the effectiveness of most single-purpose local authorities is determined in large part by the effectiveness of the municipal system. This is not to imply that important programs of restructuring to meet urban pressures have not occurred in many single-purpose authorities — current changes in the structure of education at the local level is a good example of this response to urban growth.

---

<sup>1</sup> This chapter was prepared by Mr. S. J. Clasky, Director of the Municipal Research Branch, Department of Municipal Affairs, Ontario.

## The Present Municipal Structure

Settlement in Ontario has been characterized by the extreme concentration common to all Canada. As a result, only 10 per cent of Ontario's area has organized municipal institutions; the remaining 90 per cent is unorganized municipally.

In 1966 this organized 10 per cent was administered through 974 municipalities operating within a two-tier system. The lower or primary tier includes the basic units which carry out most municipal responsibilities. The secondary or higher tier is a federated form of government with representatives delegated from the constituent primary municipalities. The county form of secondary tier covers all municipalities in southern Ontario except cities, a few separated towns and the Metropolitan Toronto area. The Municipality of Metropolitan Toronto is a second-tier municipality which differs significantly from the counties in terms of constitution and responsibilities.

Some characteristics of the municipal structure are shown in the following table:

**TABLE 1**  
**CHARACTERISTICS OF ONTARIO MUNICIPALITIES**

Type of Municipality	Number	Average Population	Average Assessment (million \$)	Average Expenditures <sup>2</sup> (\$)
<b>Primary Tier:</b>				
Cities	33	86,000	158.2	12,420,000
Towns	155	6,100	8.9	590,000
Villages	158	1,400	1.6	120,000
Townships	572	4,600	5.4	430,000
Improvement Dist.	17	1,000	1.8	120,000
<b>Secondary Tier:</b>				
Counties <sup>1</sup>	38	68,900	93.2	2,440,000
Metropolitan	1	1,825,000	4,717.6	258,820,000

NOTES: <sup>1</sup> figures exclude separated cities and towns

<sup>2</sup> final expenditure from current funds excluding the education levy and transfers between tiers.

The preceding table shows clearly the two main characteristics of municipal government in Ontario: the large number of individual units and the great disparities in population and fiscal capacity. This disparity is demonstrated further when municipalities are grouped by population rather than by type.

**TABLE 2**

**ONTARIO MUNICIPALITIES  
CLASSIFIED BY POPULATION GROUPS**

<b>Population Group (1967)</b>	<b>Number of Primary Tier Municipalities</b>
0 — 1,000	269
1,001 — 2,000	247
2,001 — 3,000	144
3,001 — 5,000	102
5,001 — 10,000	97
10,001 — 20,000	32
20,001 — 50,000	21
50,001 — 100,000	14
100,001 — and over	9

The median population of the 935 primary tier municipalities was only 1,775 in 1966.

The wide diversities in municipal expenditures and tax base are also shown dramatically when all municipalities are considered in groups. In table 3 the range of the equalized municipal tax base (assessment) is shown. There are 58 municipalities with a taxable property assessment of under \$1 million at current market value. The median equalized taxable assessment is less than \$8 million — below the annual current expenditure of many larger municipalities.

**TABLE 3**

**ONTARIO MUNICIPALITIES**  
**CLASSIFIED BY ASSESSMENT GROUP**

<b>Equalized Taxable Assessment Group (1966)</b>	<b>Number of Primary Tier Municipalities</b>
Under —	250,000
250,000 —	500,000
500,000 —	1,000,000
1,000,000 —	5,000,000
5,000,000 —	10,000,000
10,000,000 —	20,000,000
20,000,000 —	50,000,000
50,000,000 —	100,000,000
100,000,000 —	200,000,000
200,000,000 —	500,000,000
500,000,000 —	1,000,000,000
1,000,000,000 —	2,000,000,000
Over —	2,000,000,000

Expenditure patterns also exhibit this characteristic of wide range and disparity. If all municipal expenditures are considered — including levies for education — over one hundred municipalities spend less than \$50,000 per year, while another hundred spend over \$1 million annually. This wide disparity is shown in Table 4. The median expenditure is \$240,000. If we remove the education levy and concentrate solely on municipal expenditures, we find that 154 (or 15 per cent of all primary tier municipalities) have expenditures of less than \$50,000. Even more startling is the fact that over

one-third of all primary tier municipalities spend under \$100,000 on municipal purposes. In contrast, 86 municipalities spend over \$1 million per annum on municipal functions. The median municipal expenditure is \$170,000. This is shown in Table 5.

**TABLE 4**

**ONTARIO MUNICIPALITIES**  
**CLASSIFIED BY CURRENT EXPENDITURE GROUP**  
**(including education levy)**

<b>Current Expenditures</b>		<b>Number of Primary Tier</b>
<b>Group</b>		<b>Municipalities</b>
<b>(1966)</b>		
	<b>(\$)</b>	
Under —	50,000	101
50,000 —	100,000	128
100,000 —	150,000	106
150,000 —	300,000	214
300,000 —	500,000	148
500,000 —	1,000,000	118
1,000,000 —	2,000,000	52
2,000,000 —	5,000,000	32
5,000,000 —	10,000,000	13
10,000,000 —	20,000,000	13
20,000,000 —	50,000,000	4
Over —	50,000,000	6

**TABLE 5**  
**ONTARIO MUNICIPALITIES**  
**CLASSIFIED BY CURRENT EXPENDITURE GROUP**  
**(excluding education levy)**

<b>Current Expenditures Group (1966)</b>	<b>Number of Primary Tier Municipalities</b>
Under — 50,000	154
50,000 — 100,000	166
100,000 — 150,000	120
150,000 — 300,000	238
300,000 — 500,000	102
500,000 — 1,000,000	68
1,000,000 — 2,000,000	40
2,000,000 — 5,000,000	20
5,000,000 — 10,000,000	14
10,000,000 — 20,000,000	6
20,000,000 — 50,000,000	6
Over — 50,000,000	1

### **Stresses on Municipal Government**

The large number and relatively small size of municipalities has placed great stresses upon the municipal system. This system was suited admirably to carry out the functions of local government in the small, scattered, rural-oriented society of the nineteenth century. However the system is based on several assumptions no longer valid in the urbanized environment of the 1960's, let alone the society of the 1980's.

The invalid assumptions underlying our present municipal structure include:

- (a) the view that there is a distinct cleavage of interest and public service requirements between rural and urban areas, and that rural and urban areas can be classified readily into these two categories;

- (b) the view that the political and economic "community" is small, highly localized and relatively self-contained;
- (c) the view that local government can place primary fiscal reliance upon the property tax as a source of revenue, and that this can be done without endangering either the provision of services or orderly development.

While these basic assumptions are now invalid, the municipal system based upon them is still operative. The combination of urban growth pressures and archaic assumptions is manifest in a growing number of interrelated problems, including:

- (a) an imbalance between local service demands and fiscal resources as the desired level and range of services rises with urbanization;
- (b) the divorce of the local political and economic communities — the size and shape of areas needed for economic and physical planning do not coincide with municipal areas;
- (c) the great imbalance in size, population and resources among municipal units as people and economic activity shift from rural areas to a few exploding urban centres;
- (d) the tendency to by-pass the municipal structure and to create single-purpose units covering a more rational area, resulting in an increasing fragmentation of local government responsibilities among a growing number of overlapping and fiscally competitive forms of local authority.

This situation must lead to the conclusion that the present municipal structure is a major obstacle to an orderly and efficient pace of urban development.

### **Response to the Stresses: Detailed Study**

Certainly, there has been no lack of study and suggestion for reform of the municipal structure. For example, the following documents all contain recommendations for a system featuring larger and stronger units of municipal government:

- the Report of the Select Committee on The Municipal and Related Acts;
- the Report of the Ontario Committee on Taxation;

- the reports of local government reviews in the Ottawa, Peel-Halton, Niagara and Lakehead areas;
- a study made by the Association of Ontario Counties.

Other studies, such as the Economic Council of Canada Review mentioned previously, have examined aspects of this question and have lent added weight to the demands for reform.

## **Response to the Stresses: Provincial Action**

The provincial program of change in the municipal system is proceeding along several lines. The chief features of this program include:

- (a) local government reviews;
- (b) metropolitan municipalities;
- (c) enlargement of urban municipalities;
- (d) regional planning and development;
- (e) reduced municipal reliance upon property taxes.

The remainder of this chapter is devoted to a description of each of these activities.

### **(a) Local Government Reviews**

The local government review is an intense study of a specific area in order to examine and report upon:

- (a) the structure, organization, finances and operational methods of all municipalities and local boards;
- (b) a review of the economic, social, geographic and cultural influences in the region and the effects of these upon local government;
- (c) the anticipated future development of the area which may require revision of the present local government system and boundaries;
- (d) an analysis of the present financial position of local governments in the area and the fiscal effects of any proposed changes in the local government structure.

Each review covers at least one county and is designed to bear

some general relationship to an economic region or sub-region suitable for local government purposes. Reviews are conducted by special commissioners appointed by the Minister of Municipal Affairs after consultation with municipalities in the review area. Background research is provided by the province, usually through the Department of Municipal Affairs. To date, these studies have been financed jointly by the area municipalities and the Department.

Four reports have been submitted:

- (i) Carleton County, and the Cities of Ottawa and Eastview;
- (ii) Counties of Peel and Halton;
- (iii) Counties of Lincoln and Welland, and the four cities within the county area; and
- (iv) the Cities of Fort William and Port Arthur, and the surrounding townships.

In each case drastic changes in the existing system have been proposed. These changes feature recommendations for a larger, or regional form of municipal government. In three of the four reports, a two-tier form of government is proposed, with the second-tier municipality functioning as the regional government. Only in Peel-Halton is a single-tier structure suggested.

Four other local government reviews are now in progress.

These are:

- (i) District of Muskoka;
- (ii) County of Waterloo and the three cities within the County's boundaries;
- (iii) County of Wentworth, the City of Hamilton and Town of Burlington; and,
- (iv) County of Brant and the City of Brantford.

The scope of this program can be measured by the fact that the areas reviewed or under review contain a population of 1.9 million or approximately forty per cent of all Ontario people living outside of Metropolitan Toronto.

One of the major criteria used in deciding whether a local government review should be initiated is the evidenced pressure to which the existing local structure in the area is being subjected. It is highly significant that, with the exception of the Muskoka review, these studies have been in areas which are experiencing virtually complete urbanization, or else have a very predominant central city. It is fair to suggest, therefore, that the widespread use of local government review technique is a direct provincial response to urban growth problems.

The basic principle underlying the review approach is the recognition that there is no panacea for the problem of restructuring local government. Rather than search for a universal solvent, the province has chosen to conduct individual studies oriented toward the problems of specific areas. The reviews have generated excellent alternative reform approaches, as was hoped. However the reviews should not be viewed as ends in themselves, and the province may be moving to a position where a few basic alternatives can be put forward for detailed examination to see if they are adaptable to the varying needs of differing parts of Ontario.

### **(b) Metropolitan Municipalities**

The Fourth Annual Report of the Economic Council of Canada notes that: "Perhaps most significant for accommodating the rapid growth of our largest centres has been the evolution and establishment of federated or metropolitan systems of government as in Metropolitan Toronto . . ." (page 212).

There is no need to examine in detail the division of functions between the regional and local levels in Metropolitan Toronto, since this is familiar to most readers. Basically, the metropolitan system is a successful adaptation of the older, rural "county" two-tier system in an urban context. The second or regional tier assumes those functions which should be provided on a uniform basis throughout the region (in Toronto these include welfare, regional planning, police protection, arterial roads and capital financing). On the other hand those services where the level of provision in one part of the region need not affect service levels in other parts are the responsibility of the lower or primary tier.

The major achievement of Metropolitan Toronto has been the orderly and coherent provision of most essential services in an area which was a disorganized jungle of competing urban and suburban municipalities. The validity of the Metropolitan system was recognized in the 1965 Report of the Royal Commission on Metropolitan Toronto. This Commission recommended retention and strengthening of the regional government.

This is not to say that further improvements in this system cannot (or will not) be made. In planning, for example, there may be need for a stronger region-wide authority. However the need for improvement should not obscure the real success of the experiment.

A significant step in the further development of the metro concept is the legislation introduced this year to create a regional government in the Ottawa-Carleton area. This proposal envisages a regional government with broader powers than the Toronto system. The Ottawa-Carleton regional government will, for example, have sole or paramount jurisdiction in the fields of planning, water services, and health. The dominant role of the urban centre is recognized by providing that Ottawa will have a majority of representation on the Regional Council. This marks the first application in Canada of the federated system of regional government in an area with a significant rural area (the "built-up" sector of the region is less than eight per cent of the total area).

### **(c) Enlargement of Urban Municipalities**

Urban municipalities in Ontario have been vigorous in promoting extension of their boundaries through amalgamations and annexations. This technique has been used successfully to bring together, under one municipal government, the urban core, adjacent urban development, and sufficient open land to meet short-term future growth requirements.

The Report of the Ontario Committee on Taxation commented that, "Annexation statistics offer impressive evidence of public willingness and ability to cope with rapid urban growth", (page 497). To illustrate this, the Committee published data on the post-war enlargement of Ontario cities. An adaptation of Table 23:1 of the Report is given below:

**TABLE 6**  
**POST-WAR ENLARGEMENT OF ONTARIO CITIES**  
**OTHER THAN TORONTO**

<b>Municipality</b>	<b>Total Acreage</b>		<b>Percentage Increase</b>
	<b>1945</b>	<b>1966</b>	
<b>% Increase over 200:</b>			
Cornwall	825	19,200	2,227
Niagara Falls	1,934	24,083	1,145
Sudbury	2,713	32,711	1,106
Sault Ste. Marie	6,188	60,016	870
Sarnia	1,479	11,672	689
Welland	1,100	8,358	660
St. Catharines	2,400	17,000	608
London	6,873	42,550	519
Guelph	3,014	16,031	432
Kingston	2,965	15,691	429
Ottawa	6,009	30,482	407
Port Colborne	1,308	5,984	357
Brockville	1,374	6,025	338
Oshawa	3,660	14,000	283
Windsor	8,251	31,584	283
Brantford	3,292	11,335	244
Kitchener	3,477	11,410	228
Hamilton	10,316	31,725	208
<b>% Increase less than 200:</b>			
Peterborough	3,568	10,326	189
Chatham	1,900	5,350	182
Fort William	9,355	23,199	148
St. Thomas	1,898	4,540	139
Woodstock	1,525	3,456	127
Barrie	2,150	4,781	122
Waterloo	2,921	5,293	81
Stratford	2,837	3,263	15
North Bay	2,100	2,260	8
Owen Sound	2,909	3,018	4
<b>No Increase:</b>			
Eastview	660	660	Nil
Port Arthur	15,632	15,632	Nil

Thus, of the 32 cities in Ontario outside Metropolitan Toronto, 20 had more than tripled in size during the 1945-1966 period. The typical Ontario city experienced a size increase of 400 per cent during this period. Many larger towns have experienced similar increases.

However there are serious limitations to the use of this technique to meet urban pressures upon the municipal structure.

Firstly, as urban centres expand, the available open space between centres may reach the vanishing point, and each centre will lose its separate identity. In the Oshawa-Niagara Falls semi-circle, for example, annexations are no longer a realistic means of solving growth problems. Urban cores have suburbs and open space in common, and there are no means of distinguishing — economically or otherwise — where one community ends and another begins. In a megalopolitan setting interdependence is almost total.

Secondly, amalgamations and annexations can have serious effects upon the residual territory. The typical annexation or amalgamation involves the transfer of territory from a township to a city or large town. In such cases the township probably loses its choice development and a major part of its assessment. In spite of the use of transitional payments to the municipality losing area, the long-term effects can be serious financially. In addition, the Township may remain with boundaries that make the provision of services to all segments almost impossible. It must also be remembered that cities are not part of the county system, so a county can lose significant portions of its financial base through successive annexations or, even more drastic, amalgamations where whole townships may be absorbed by a city.

#### **(d) Regional Economic and Physical Planning**

In the long-run, probably the single most important function of municipalities is the planning of the environment in which we live. This has particular significance for urban centres where developmental pressures can be acute owing to rapid growth and changing technology. The growing realization that planning must be broad enough to cover an entire urban area — core, suburbs and rural periphery — is one of the most influential elements in the movement towards regional government.

During the past few years there has been a trend towards larger units for local planning purposes. The Metropolitan Toronto planning area, for example, covers an area twice the size of Metro itself, and has a 1967 population of 2.1 million. As noted previously, the new Ottawa-Carleton region will have a strong regional planning authority covering the entire area. County planning, including cities otherwise separated from the county, is now being tried on an experimental basis in Waterloo County. In addition, there are now about forty operating joint planning areas covering two or more municipalities with common economic interests. These joint planning areas range in size and complexity from a village and its surrounding township, through cities and a number of adjacent municipalities, to entire county areas. While certainly not the answer to the need for economic and physical planning on a regional basis, larger planning areas have provided a useful interim device.

Mention must also be made of two programs which have helped create an awareness of regional planning at the provincial and local levels, and have aided in refining our regional planning techniques in Ontario. The regional development program of the Treasury Department is helping to clarify ideas on economic development means and objectives. It has also demonstrated that economic planning cannot be divorced from physical planning, and that strong municipal government can have a crucial role to play in any economic planning program. In addition the resource inventories now being carried out in several economic regions may provide useful information for municipal planning. The Metropolitan Toronto and Region Transportation Study (MTARTS), covering a large segment of south-central Ontario centred on Toronto, is another example of large-scale planning.

#### **(e) Reduced Municipal Reliance upon Property Taxes**

As noted before, the demand for increased quantity and quality in local services has placed great pressures upon the local financial base. This is particularly true in urban and urbanizing areas. The need for complex local services (such as integrated transportation networks, the public provision of open space and recreation facilities, large-scale public housing, utility facilities), becomes essential

in an urban environment. This is reflected in municipal expenditure patterns. To cite only one example, in 1966 the three largest urban centres in Ontario — Metropolitan Toronto, Ottawa and Hamilton — had 36 per cent of Ontario's population, but were responsible for 47 per cent of all municipal expenditures.

A non-structural response to this pressure has been increased financial aid to local government. To the extent that this aid has grown relative to local taxation, the pressures upon the limited local tax base have been alleviated. In Table 7 provincial aid to all local governments (both special purpose and municipal) is compared with property taxation. The inclusion of all local authorities is valid, since these authorities must rely upon the property tax base as their other source of income for service provision. As Table 7 indicates, provincial aid has increased significantly during the ten years ending in 1966. Since 1966, further changes have taken place, including an increase in education grants, and a major program of direct aid to property taxpayers beginning in 1968 (the "Basic Shelter Exemption"). It is estimated that this latter program will relieve local taxpayers of payments in excess of \$150 million during the current year.

**TABLE 7**  
**PROVINCIAL AID TO LOCAL GOVERNMENTS**  
**AND PROPERTY TAX RECEIPTS 1957-1966**

<b>Year</b>	<b>Provincial Aid (\$'000)</b>	<b>Index of Change (1957 = 100)</b>	<b>Property Taxes (\$'000)</b>	<b>Index of Change (1957 = 100)</b>
1957	239,000	100	431,000	100
1958	267,000	112	466,000	108
1959	300,000	126	525,000	122
1960	334,000	140	587,000	136
1961	363,000	152	641,000	149
1962	393,000	164	690,000	160
1963	448,000	187	745,000	173
1964	529,000	221	805,000	187
1965	615,000	257	878,000	204
1966	741,000	310	980,000	227

## Conclusion

There can be no questioning the fact that the provincial government is aware of the pressures being exerted upon our municipal structure as a result of urbanization. Not only is the awareness present, but changes have and will be made to reform the existing municipal system. There is often a feeling that action is more than outpaced by economic and social change. It must be emphasized, however, that the province's decision to act with deliberate caution is quite understandable. There is probably no other field of provincial responsibility where the action of the state has a more fundamental and lasting impact upon the everyday life of the citizen. In designing a municipal system for the new urban Ontario, the province must be certain that the structure will withstand forecast pressures while remaining flexible enough to cope with economic and technological forces which we cannot measure clearly at present. To do this, alternatives must be evaluated in detail before policy commitments are made.

## CHAPTER IV

### In Defense of Local Autonomy

The “deliberate caution” with which the provincial government has approached the reform of the municipal structure is based on several factors. Not the least of these are the political considerations that must be taken into account. These considerations have been summarized by Professor S. J. Dupré, of the University of Toronto, as the politics of local boundaries; the politics of conditional grants; and the politics of special purpose authorities. Professor Dupré points out that the present constellation of interests at both the provincial and municipal level are mutually reinforcing and tend to protect the status quo.

As has already been suggested, the impact of urbanization is creating pressures which act as both a demand for change in municipal structures and as a support for the concept of municipal reorganization. The relative absence of political conflict engendered by the sweeping changes that have taken place in the educational system, or by the introduction of metropolitan forms of government, indicates that the foundation of the existing political structure has been eroded by urbanization.

Although there is sufficient evidence available to argue that the time is ripe for change, there remains the very real problem of the nature and the direction of that change. Most municipal and provincial political leaders are prepared to accept regional government, but there is far less agreement on the boundaries, the form, the distribution of powers, and the method of representation to be adopted in any scheme of regional government.

One of the major reasons for the apparent stalemate in the evolution of a new municipal structure is the unresolved debate over local autonomy. Local autonomy is something to which lip service is paid by politicians at both the provincial and municipal levels. It is the focal point around which the demands for centralization or decentralization of the political process revolve. But there seems to be a gradual shift towards the centralization of political power to the

provincial level which indicates that local autonomy is no longer a key operative principle of political organization in Ontario.

A cursory review of the provincial statutes reveals a significant trend. Because our municipalities are the legal creation of the province, they have no jurisdiction except on matters specifically delegated to them by the province. Many of the provincial statutes, therefore, are simply permissive in nature. They give power to the municipality to enact bylaws respecting a particular subject.

In recognition of the universality of many of our current problems the province has established specialized service agencies which provide expert advice or exercise some form of control over the actions of municipal governments. The next stage in this process of gradual provincial encroachment has been the development of conditional grant programs or the creation of special purpose authorities. These devices have been used whenever it was felt that the municipal system was incapable of meeting the needs of its residents for the provision of adequate levels of services. The process has not stopped here, and in some instances the province has taken over operating responsibility for services, such as air pollution control or the administration of justice.

In almost every field of municipal government activity this process can be identified. The arguments used to defend the gradual encroachment of the provincial authority fall into four major categories.

- (1) There is a need to ensure that all municipalities, of the same type, provide a similar range of services. Permissive legislation is inadequate to achieve this objective and, therefore, the provincial government must take action to ensure that these services are provided at the local level.
- (2) The financial capabilities of the municipalities are uneven and there is a divergence in the standards of services provided. The provincial government, therefore, must support essential services by direct financial contributions. The very fact that the province is contributing funds means that the province must exercise control over expenditures to ensure that the money provided is spent properly.

- (3) The existing municipal boundaries are inappropriate to meet needs which can be effectively handled only through a cooperative effort on the part of several adjoining municipalities. The province, therefore, must create specialized authorities on which the several municipalities affected will have representation. Since the financial requirements tend to be large, the province must make a financial contribution and exercise the essential control function.
- (4) The nature of the problem is in reality provincial in character rather than local; therefore the province should take over the responsibility for operating the programs in this particular area.

### **Fiscal Planning vs. Local Autonomy**

The arguments advanced to support the shift in responsibilities from local government back to the province are based primarily on the inadequacies of the existing political boundaries and restrictive tax base of local government. As has been pointed out previously, political leaders in rural municipalities have tended to support the archaic boundary system even though this has led to the encroachment of the province into areas considered to be in the jurisdiction of local government.

Legally the municipality has no jurisdiction over any matter except those subjects specifically delegated to it by the province. The province, therefore, is responsible for the boundaries, the form of government, and revenue resources of the municipality. Because it has ultimate responsibility it must exercise control, particularly financial control, over the activities of the municipality. Local autonomy in the legal sense is a fiction, and the province has traditionally tended to see itself as the protector of the people against the financial irresponsibility of the locally elected council.

Urbanization and industrialization have created a serious imbalance between the revenues and responsibilities of local government. Because the province was in a better position to raise the necessary revenues on a broader taxation base, it was inevitable that the province should attempt to meet this imbalance through the introduction of a system of financial transfers based on condi-

tional and unconditional grants. The role of the province was further justified because of the need for some form of equalization to ensure that the slow growth areas were able to maintain a minimum level of services.

As the services provided by government have broadened in scope and deepened in content in response to the increasing complexity of our industrial society, there has been a growing recognition of the interaction between government programs administered by different agencies at all three levels. It is no longer sufficient to allow government agencies, established on functional lines, to operate in relative isolation. The overriding administrative problem has become the creation of effective organizations for the integration of planning and execution of complementary programs administered by separate agencies.

The trend in government organization has been towards the development of specialized planning agencies and mechanisms for coordination. The specialist and the expert have become more important as the problems have become more complex, and the information required in the decision-making process has multiplied. This has meant the growth in the sophistication of administration and the employment of large numbers of highly qualified personnel.

As administrative overhead costs have become proportionately greater in terms of the actual cost of the services rendered, the need for efficiency emerged as one of the key motivating factors in the demand for centralization of function. The inability of the municipality to pay for the sophisticated operational machinery, and the apparent savings that can be made by centralization, explains in part the current trend towards centralization. This is reinforced by the recognition of the inappropriateness of the existing highly fractionalized system of local government.

The final factor influencing this process is the realization that the expenditures of provincial and municipal governments are potent fiscal weapons that can be used to pursue provincial economic objectives. The fiscal implications of provincial and municipal government expenditures have emerged in recent years as a prime influence on the trend towards centralization of function and financial control.

Recognition of the role of government in fiscal and monetary policy planning was first given by the federal government in 1945 in its White Paper on Incomes and Employment. There has been, however, a growing awareness on the part of provincial governments that national monetary and fiscal policies have not been universally beneficial to all regions of Canada. For example, because of the disparities in income and employment, federal government policies to control inflation in industrial central Canada may seriously handicap the development of industry in higher unemployment areas such as the Maritimes.

The change in attitude towards the role of provincial governments in fiscal planning has evolved slowly over the past quarter century, and the pressures for change have increased because of the gradual shift in the relative size of government expenditures from the federal to the provincial-municipal level. This development has had two profound effects: first, provincial administrations matured; and, second, the provinces exploited more fully their available tax revenues.

The desire on the part of the provincial government to exercise direct controls over the widest possible range of revenues and expenditures for provincial fiscal planning purposes has been a major contributing factor in Ontario's political system. The municipalities have been put in the untenable position of having an extremely limited tax base, an obsolete structure and the responsibility to provide a wide range of essential services required in an industrial society.

We have reached a situation in which it is extremely doubtful whether local government, as it is presently constituted, can play any essential role. Municipal government in Ontario is at a cross-roads. Either it will be restructured and become an effective part of the political system, or it will become gradually superseded and replaced by the provincial administration.

## **Local Autonomy and Regional Government**

The existing imbalance in our political system is recognized. Every body that has examined the municipal structure in recent years has concluded that the system must be restructured to meet existing

and future needs. There has been unanimous agreement on the concept of regional government. Indeed regional government has come to be viewed as a cure-all for our problems.

The advocates of regional government base their case on the dual objectives of efficiency and access. Regional government it is argued, will promote efficiency because it will centralize common services at the level of concern which will provide for efficiency of scale in operation. By centralization of function, many of the disadvantages now inherent in a fractionized municipal structure will be overcome. Because the scale of operation will cover a wider area, the unevenness of standards of service provided will be removed. Experts can be hired to provide specialized services on a regional scale and the whole administration of services will be improved.

At the same time, however, it is held that the centralization of function at the regional level will allow for a meaningful political dialogue between local residents and the regional government. This will ensure that the regional government will be responsive to local needs and that local residents will have an effective voice in the development and execution of policy at the regional level. Generally speaking the concept of access represents the primary countervailing argument against the desire for maximum efficiency in administration through centralization in function. In short, regional government is a compromise between centralization at the provincial level and local control of local services.

It follows, therefore, that regional government has been seen as a method for structural reform of local government. The debate has concentrated on the appropriate boundaries, method of representation and division of functions between the bottom tier and the regional level.

This approach to regional government is unnecessarily limited. It assumes that the key problem in the municipal structure is the inadequacy of the existing boundaries. The solution is, therefore, primarily couched in terms of the creation of a larger or regional unit of government. Once these are established, the functions of municipal government can be then divided between the bottom tier and the new regional tier.

Unfortunately this solution largely ignores the other key factors involved: the services provided by government on an area basis and the financing of government services. Many of the services of municipal government have been taken over directly by the provincial government or have been given to special authority bodies. As has already been noted, the move toward the centralization of function has been based, in part, on the inadequacy of the existing boundary system. If the development of more effective regional governments based on rational physical-economic boundaries is achieved, the rationale of the special-purpose authority is destroyed and many of the functions now performed by the province can be transferred to the regional government.

The impact of the creation of a new regional system of government on the existing provincial administration has been virtually ignored in all the proposals for municipal government reform. It cannot be denied, however, that the creation of an effective regional system of government will add an entirely new element in our political system. Inevitably the regional governments will become centres of political power and may come into conflict with the provincial administration. If these new governments are adequately representative of their constituency, and if they can attract strong political leaders supported by skilled and able administrators, they will be in a far better position to challenge the provincial administration than is the case of the relatively politically impotent municipality today.

The other key factor that has not received sufficient attention is the problem of the financing of municipal services. There is almost unanimous agreement that the tax base of the municipalities is inadequate, yet the schemes put forward for the reform of the municipal system largely ignore this basic fact of life. While it is conceded that a regional government might well improve the current situation in the assessment and collection of property taxes, the general financial position of local government would not be basically changed. Both the regional and bottom tiers of government would remain in a weak financial position, dependent, in the main, on financial transfers from the province.

In this situation the political responsibility of local government to its electorate would not be in any way improved. The cost of

municipal services would continue to bear little or no relationship to the tax paid by the resident.

Until the pricing of public services is more adequately determined and until the taxes paid bear some direct relationship to the quality and quantity of public services provided, the role of government — local, regional, provincial, and national — will continue to be misunderstood by the electorate. Democratic control of the decision-making process in the provision of public services must be strengthened. The only effective way of achieving this objective is to reorganize the structure of government in the province to ensure that the level of government that provides the service has adequate tax revenues to pay for that service. This must be a fundamental principle of public finance in a democratic state.

Regional government, therefore, is more than a method of re-organizing the municipal system. It must represent a conscious and deliberate attempt to reform government in the province. If we are convinced that local autonomy has value, then the system must be restructured to ensure that the compromise between efficiency and access promotes public understanding and hence democratic control of government at all levels.

This may be best achieved through the adoption of a written "constitution" for Ontario which clearly sets out the responsibilities and revenues of the various levels of government in the province.

JS/1721/.05/.0522  
Ontario Economic Council..  
Government reform in  
Ontario : a report  
c.1 tor mai

**Members of the Ontario Economic Council are:**

Archer, David B.	Moore, J. H.
Clarkson, Stuart W.	Munro, Chas. G.
Cranston, Wm. H. (Chairman)	Plumptre, (Mrs.) A. F. W.
Gibson, J. Douglas	Sefton, L.
Hill, Rowland G.	Sheppard, G. H.
Jones, Oakah, L.	Spicer, W. H.
Lane, Prof. S. H.	Stadelman, Wm. R.
Littlejohn, Purvis	Taylor, R. B.
McRae, Ian F.	Thompson, W. Roy
Menzies, R. Reed	Wood, Dr. W. Donald